



EXHIBIT 2
DATE 1/30/09
HB 5

STATE OF MONTANA
DEPARTMENT OF ADMINISTRATION

ARCHITECTURE AND ENGINEERING DIVISION
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Memo

To: Janet Kelly, Director – Department of Administration
Sheryl Olson, Deputy Director
From: Joe Triem
Cc: Tom O'Connell
Date: November 17, 2007
Re: MT Heritage Center, A&E Project #25-14-01
Cost Estimates: 6th & Roberts Street site and
Capital Hill Mall site.

The Architecture & Engineering Division has been asked to update our cost estimates for locating the entirety of the Montana Heritage Center at the 6th & Roberts or the Capital Hill Mall sites; and to develop and present cost analyses for the following scenarios: A) What is the cost differential for siting a museum at the mall site versus the 6th and Roberts site?; B) What amount of money will be necessary to begin construction at the mall site (Phase 1)?; and C) What additional amount will be necessary to complete Phase 2 at the mall site (all MHS functions at a single site)?

We have also been asked to provide additional information related to parking within the Capitol Complex campus, including: A) Does the campus have a "parking problem" when the legislature is not in town?; B) How does the current number of parking spots on the campus compare to the 2007 City of Helena Parking Code?; and C) Will the proposal to locate the Montana Heritage Center at the 6th & Roberts site reduce the current number of parking spots on the campus?

This memorandum details our findings on this subject for your review.

Part 1: Cost Estimate Comparisons

Preface: Our analyses are based upon conceptual-phase cost estimates provided by our architectural consulting team, lead by CTA Architects-Engineers; with the estimates aimed at ultimately having all of the Montana Historical Society operations collocated in one contiguous compound totaling 140,000gsf (gross square feet) of facilities. Each of the two site scenarios compared in this memo would occupy a contiguous three block area, and associated parking would be contained within each respective site. The 6th & Roberts Street site is bounded by 9th

would be contained within each respective site. The 6th & Roberts Street site is bounded by 9th Avenue on the north, 6th Avenue on the south, Sanders Street on the east, and Roberts Street on the west. The Capital Hill Mall site is bounded by Prospect Avenue on the north, 11th Avenue on the south, Oakes Street on the east, and Roberts Street on the west. The Fish, Wildlife and Parks Headquarters will continue to occupy an approximately 13,500gsf footprint, and associated parking, within the 6th & Roberts Street site.

Both sites can be designed to allow for future expansion of facilities and related parking. While the proposed project is to increase the Montana Historical Society facilities from the present 90,000gsf to a total of 140,000gsf, both sites have sufficient acreage to provide for a future expansion of an additional 140,000gsf of facilities along with the associated required parking. This would amount to more than a tripling of the current facility size.

The consultant's previous estimates have been updated to reflect more current information related to the lower acquisition cost of the Capital Hill Mall site, and our new understanding that there will be an acquisition cost to DOA related to the inter-agency transfer of the Old Motor Pool site from MDT.

It is very important to note that all of the dollar values provided in this memorandum, for purposes of site comparisons, are presented in 2011 dollars (assuming start of construction in 2010, end of construction in 2012). This timeline should be considered somewhat aggressive but may be considered feasible for construction at the 6th and Roberts site, as well as for Phase 1 (only) of the Capital Hill Mall site assuming the considerable fundraising support presented during the CCAC hearings is accurate. Significant delays to start of construction beyond 2010 may be probable in some of the scenarios we have been asked to analyze and readers of this memo should be aware that, although conclusions of the relative cost-ranking of the alternatives may not be greatly affected due to inflation, the total estimated costs of construction at any one site should be escalated to account for this inflation for every year start of construction is delayed past 2010 in order to maintain the desired level of facility square footage. For the purposes of our estimates we have used a 6% annual average rate of construction inflation.

A) What is the cost differential for siting a museum at the mall site versus the 6th and Roberts site?

The estimated cost for locating all of the Montana Historical Society operations at the Capital Hill Mall site, configured in an arrangement of similar size and similar inter-building adjacency as the 6th & Roberts location, is approximately \$24,361,000 more than the estimated cost of the 6th & Roberts location. (See Exhibit 1(b))

For the purpose of this analysis, the cost of land acquisition for the Capital Hill Mall site was set at \$7 million based upon the representation from Westfield Properties Inc. that this amount is sufficient to deliver the property in unencumbered fee simple interest to the State. The cost of land acquisition of the 6th & Roberts site was set at \$825,000 to account for the interagency payment that DOA will have to make to MDT for transfer of the Old Motor Pool site.

B) What amount of money will be necessary to begin construction at the mall site ("Phase 1")?

\$35,721,000 will be necessary to begin construction of a logical first phase at the Capital Hill Mall site (See Exhibit 2). If the \$24,361,000 "differential" amount defined in the previous two paragraphs has been raised, this means that only an additional \$11,360,000 will be required to add up to the entire \$35,721,000 necessary to fully fund construction of a "Phase 1".

A logical Phase 1 at the Capital Hill Mall site would construct a new 50,000gsf gallery facility basically identical to what is proposed for the 6th & Roberts site – including galleries, exhibits, and auditorium, classroom, and store. Upon completion and occupancy of Phase 1, only the Montana Historical Society "museum services" program will be located at the Capital Hill Mall site; the remaining 80% of the Montana Historical Society programs will continue to reside in the existing 6th & Roberts facility until Phase 2 is implemented, and no renovation of the vacated galleries at the existing building will have been done.

It is important to point out that constructing only Phase 1 will result in a "fractured" Montana Historical Society operation, with their 5 programs or functional units (administration, historic preservation, publications, research/archives, and museum services) split by a significant distance. Depending upon fundraising realities for this project the separation of operations may continue for a number of years, if not indefinitely. It is our understanding – from our investigation of the goals, programs, functional unit interaction, and statutory mission of the Montana Historical Society – that a long-term or permanent fracturing of their functional units would be detrimental to their operations and, ultimately, to the effective delivery of their wide range of services to the public.

As noted in the preface to this memorandum, these cost estimates are based upon an assumed start of construction in 2010, and if construction does not begin until a much later year the Phase 1 total should be increased by 6% annually (\$1.7 million/year) to account for estimated escalations in the cost of construction.

C) What additional amount will be necessary to complete Phase 2 at the mall site (providing all MHS functions at a single site)?

Once Phase 1 has been fully funded, an additional \$25,024,000 will be necessary to implement Phase 2; at the end of which all of the Montana Historical Society programs will be at the Capital Hill Mall site (See Exhibit 3).

As noted in the preface to this memorandum, these cost estimates are based upon an assumed start of construction in 2010, and if construction does not begin until a much later year the Phase 2 total should be increased by 6% annually (\$1.5 million/year) to account for estimated escalations in the cost of construction.

I have included an Exhibit 4 to provide a summary of the costs for all phases of the Mall site.

Part 2: Parking

Preface: The cost estimates have been updated to make sure that both sites are compared on an even basis. Parking improvements for either site reflect the cost to provide 250 spaces dedicated specifically for Museum employees and visitors.

In the case of the 6th & Roberts site this is estimated to cost \$4,090,000. To meet the goal of providing 250 museum spaces in this site scenario, a total of 430 spaces will have to be constructed in structured (130) and surface lots (300) to provide the dedicated spots and to offset those existing spaces lost to the building footprint.

In the case of the Mall site the cost is estimated to be \$578,000. While there appears to be adequate existing surface parking at this location the significant change in use from a retail mall to a new museum will require the State to bring all parking on the site up to current 2007 City Codes. In order to comply with 2007 City Code requirements for parking lots, these 250 surface spaces will have to be reconstructed, with 15% of the area improved with landscaped islands and trees.

A) Does the campus have a "parking problem" when the legislature is not in town?

No. The Capitol Campus has adequate parking when the legislature is not in town.

Sample parking counts taken by the A&E Division during the week prior to this memo demonstrate that during the sample period, although certain lots within the campus are heavily used, on the average day approximately 278 parking spots were vacant in the existing developed surface parking lots within the present campus perimeter. These counts were taken on 5 consecutive work days at 8 separate points in time, five during mid morning and three during mid afternoon, and exhibited a low of 243 vacant spots to a high of 399 vacant spots. The average vacancy translates to a vacancy rate slightly greater than 12% of the total.

B) How does the current number of parking spots on the campus compare to the 2007 City of Helena Parking Code?

The existing amount of parking within the Capitol Campus is not in violation of city code; as each individual project undertaken on the campus was required to comply with the codes in effect at time of construction. The same can be said for the Capitol Hill Mall site, which had to comply with code at the time of the last major renovation but would not be in compliance with the 2007 code requirements – mainly due to lack of trees, islands and landscaped areas.

If the Capitol Campus was required to come into immediate compliance with the 2007 City of Helena Parking Codes 210 parking spots would need to be added to the current count of 2,196.

C) Will the proposal to locate the Montana Heritage Center at the 6th & Roberts site reduce the current number of parking spots on the campus?

No. Implementing the parking improvements outlined in the current proposal for the 6th & Roberts site will result in a net increase of 196 developed parking spaces within the campus.

Any parking spots eliminated because of the project (building footprint, plaza development, etc.) will be replaced in addition to the new parking that will be created specifically for the Montana Heritage Center. Replacement parking will be developed at the beginning of the construction project, before existing spaces are eliminated, so that there will be no net loss of available parking spaces on the campus.

The 6th & Roberts proposal addresses parking by paying for the construction of 430 new parking spaces, 130 to be constructed within the bottom level of the new building and an additional 300 to be developed through the creation of a paved surface lot at the location of the old MDT motor pool site. The footprint of the new 50,000gsf facility proposed for construction at this site will eliminate 215 surface lot spaces and the proposed plaza development another 19 on-street spaces, for a total of 234 existing spaces eliminated. The new spaces minus the eliminated spaces results in a net increase of 196 developed parking spaces to the campus total, which when combined with the 55 parking spots already dedicated for Montana Historical Society use amounts to 251 developed parking spaces that will be available for the Montana Heritage Center if it is located at the 6th & Roberts site.

Construction of a paved surface lot at the "old motor pool site" will not have an adverse impact to current parking availability. Eighty-five percent of the old motor pool site is used for motor pool vehicles and those will be moved to another motor pool location once the "old motor pool site" is transferred from MDT to DOA. The remainder of that site is used for GSD grounds maintenance operations, which can be moved to the old Corrections building site when that building becomes available in the next two years.

END OF MEMO

EXHIBIT 1 (a)

COST COMPARISON OF RECOMMENDED SITE TO CAPITAL HILL MALL SITE

Cost Components	Recommended Site	Capital Hill Mall Site	Comments:
Property Acquisition	825,000	7,000,000	Recommended site is owned by the State but must be transferred from MDT to DOA, at a cost to DOA - cost based upon 2007 appraisal. Mall site property acquisition includes the fee-simple acquisition of all land and improvements within the area bounded by Prospect Ave, Roberts St, 11th Ave, and Oakes St - cost based upon informal offer from mall owner.
Parking Improvements	4,090,000	577,636	Parking improvements for either site reflect the cost to provide 250 spaces dedicated specifically for Museum employees and visitors. In the case of the 6th & Roberts site, 430 spaces will have to be constructed in structured and surface lots to offset those existing spaces lost to the building footprint. In the case of the Mall site, 250 spaces will have to be reconstructed with islands and trees to comply with City Code requirements for parking lots.
Other Site Improvements	2,706,486	3,342,589	Includes demolition, plaza construction and landscaping. Mall site costs reflect demolition of existing Mall and Bison buildings.
New Building (Galleries, Public Spaces)	17,497,231	17,072,350	This includes building of the new galleries, archives, auditorium, store, café, lobby and terraces. Exhibit build-out priced separately (below). Difference in cost reflects additional tunnel at Recommended site.
Renovate Current Building (Support)	3,536,885	0	Renovate current MHS building for storage, interactive archival exhibits, research, administrative, and other service and support functions.
Replace Current Building (Support)	0	25,024,387	To collocate all MHS functional units at the mall site requires construction of 90,000gsf building similar to existing MHS facility. This will accommodate MHS administration, historic preservation, research/archives, and publications units, as well as various museum support functions (exhibit construction, etc).
New Galleries, Exhibits and Displays	7,729,150	7,729,150	This constructs the "guts" of the new, state-of-the-art galleries, exhibits and displays within the new and renovated spaces.

TOTAL ESTIMATED PROJECT COST: **\$36,384,752** **\$60,746,112**

EXHIBIT 1 (b)

DIFFERENTIAL ANALYSIS OF RECOMMENDED SITE VS CAPITAL HILL MALL SITE

Cost Components	Recommended Site	Capital Hill Mall Site	Additional Cost: (Savings) of Mall Site	Explanation of difference:
Property Acquisition	825,000	7,000,000	6,175,000	Recommended site is owned by the State but must be transferred from MDT to DOA, at a cost to DOA. Mall site requires the acquisition of the Mall, Bison building, and all underlying lands.
Parking Improvements	4,090,000	577,636	(3,512,364)	Recommended site requires significant new parking construction. Mall site only requires code improvements and resurfacing of existing parking.
Other Site Improvements	2,706,486	3,342,589	636,102	Recommended site requires demolition of four small buildings. Mall site requires demolition of Mall and Bison buildings.
New Building (Galleries, Public Spaces)	17,497,231	17,072,350	(424,881)	Recommended site requires construction of tunnel below 6th Ave. Mall site does not.
Renovate Current Building (Support)	3,536,885	0	(3,536,885)	Recommended site renovates 20,000gsf of existing building.
Replace Current Building (Support)	0	25,024,387	25,024,387	Recommended site allows use of the existing MHS building to house MHS administration, historic preservation, research/archives, and publications units, as well as various museum support functions (exhibit construction, etc). Mall site requires the construction of 90,000gsf building (same size as existing MHS building) to collocate these same functional units at the Mall site.
New Galleries, Exhibits and Displays	7,729,150	7,729,150	0	No difference.

TOTAL ESTIMATED PROJECT COST: \$36,384,752 \$60,746,112 \$24,361,360

EXHIBIT 2

PHASE 1 - CAPITAL HILL MALL SITE (Move Museum Program Only)

Cost Components	Capital Hill Mall Site	Explanation:
Property Acquisition	7,000,000	Mall site property acquisition includes the fee-simple acquisition of all land and improvements within the area bounded by Prospect Ave, Roberts St, 11th Ave, and Oakes St - cost based upon informal offer from mall owner.
Parking Improvements	577,636	250 spaces will have to be (reconstructed with islands and trees to comply with City Code requirements for parking lots.
Other Site Improvements	3,342,589	Includes demolition, plaza construction and landscaping. Mall site costs reflect demolition of existing Mall and Bison buildings.
New Building (Galleries, Public Spaces)	17,072,350	This includes building of the new galleries, archives, auditorium, store, lobby and terraces. Exhibit build-out priced separately (below).
Renovate Current Building (Support)	0	Assuming Phase 2 is implemented, no renovation of the current MHS facility (vacated galleries, etc) is necessary. If this is not the case we will need to add \$3.5 million to the costs indicated, to renovate the vacated space into usable areas.
Replace Current Building (Support)	0	Construction of 90,000gsf building to accommodate the remaining 4 of the 5 MHS functional units will take place in Phase 2 at the mall site.
New Galleries, Exhibits and Displays	7,729,150	This constructs the "guts" of the new, state-of-the-art galleries, exhibits and displays within the new and renovated spaces.

**TOTAL ESTIMATED PHASE 1
COST:**

\$35,721,724

EXHIBIT 3

PHASE 2 - CAPITAL HILL MALL SITE (Move Remainder of Programs to Site)

Cost Components	Capital Hill Mall Site	Explanation:
Property Acquisition		All improvements in this category were completed in Phase 1.
Parking Improvements	0	All improvements in this category were completed in Phase 1.
Other Site Improvements	0	All improvements in this category were completed in Phase 1.
New Building (Galleries, Public Spaces)	0	All improvements in this category were completed in Phase 1.
Renovate Current Building (Support)	0	All improvements in this category were completed in Phase 1.
Replace Current Building (Support)	25,024,387	Construction of 90,000gsf building to accommodate the remaining 4 of the 5 MHS functional units will take place in phase 2 at the mall site.
New Galleries, Exhibits and Displays	0	All improvements in this category were completed in Phase 1.

TOTAL ESTIMATED PHASE 2 COST:

\$25,024,387

EXHIBIT 4

PROJECT SUMMARY - CAPITAL HILL MALL SITE

Cost Components	Estimated Cost	Explanation:
PHASE 1 CONSTRUCTION (Move Museum Program to Mall Site)	\$35,721,724	See Exhibit 2 for Details
PHASE 2 CONSTRUCTION (Move Remaining 4 MHS Programs to Mall Site)	\$25,024,387	See Exhibit 3 for Details
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TOTAL ESTIMATED PROJECT COST:	\$60,746,112	This amount checks with the total shown in Exhibit 1.